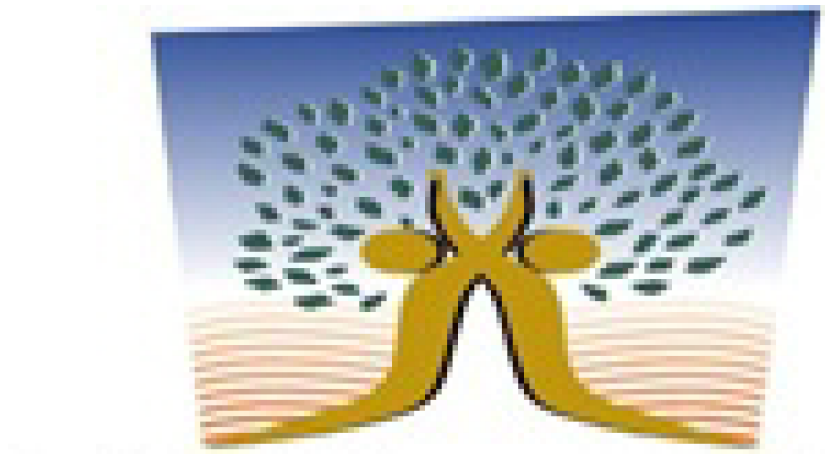

!Kheis

Munisipaliteit
Municipality

!Kheis Local Municipality
Annual Financial Statements
for the year ended 30 June 2012

General Information

Legal form of entity	Category B Municipality envisaged in section 155 (1) (b) of the Constitution
Mayoral committee	
Executive Mayor	W. Maritz
Councillors	E. Cloete
	A. Diergaardt
	K. Esau
	S. Esau
	P. Joseph
	P. Vries
Capacity of local authority	Low capacity municipality
Accounting Officer	H.T Scheepers (Acting)
Chief Finance Officer (CFO)	J. Blom
Business address	97 Orange Street Groblershoop 8850
Postal address	PO Box 176 Groblershoop 8850
Bankers	First National Bank
Auditors	Auditor General
Relevant Legislation	Municipal Finace Management Act (Act no 56 of 2002) Municipal Structures Act (Act no 17 of 1998) Municipal Systems Act (Act no 32 of 2000) Water Service Act (Act no 108 of 1997) Housing Act (Act no 107 of 1997) Municipal Property Rates Act (Act no 6 of 2004) Electricity Act (Act no 41 of 1987) Skills Development Levies Act (Act no 9 of 1999) Employment Equity Act (Act no 55 of 1998) Unemployment Insurance Act (Act no 30 of 1996) Basic Conditions of Employment Act (Act no 75 of 1997) Division of Revenue Act The Income Tax Act Value Added Tax Act
Domicile	97 Orange Street Groblershoop 8850

Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

Index	Page
Accounting Officer's Responsibilities and Approval	4
Audit Committee Report	5
Accounting Officer's Report	6
Statement of Financial Position	7
Statement of Financial Performance	8
Statement of Changes in Net Assets	9
Cash Flow Statement	10
Accounting Policies	11 - 28
Notes to the Annual Financial Statements	29 - 41
Appendixes:	
Appendix A: Schedule of External loans	42
Appendix B: Analysis of Property, Plant and Equipment	45
Appendix C: Segmental analysis of Property, Plant and Equipment	51
Appendix D: Segmental Statement of Financial Performance	52
Appendix E(1): Actual versus Budget (Revenue and Expenditure)	53
Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)	54
Appendix F: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act	55

Index

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2013 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the National Government for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the National Government has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The accounting officer certify that the salaries, allowances and benefits of Councillors as disclosed in note 32 of these financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determinations in accordance with the Act.

The annual financial statements set out on page 1 - 81, which have been prepared on the going concern basis, were approved by the accounting officer on 30 November 2012 and were signed on its behalf by:

Accounting Officer
Designation

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2012.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year x number of meetings were held.

Name of member	Number of meetings attended
F Feris	3
K Buys	3
M Kiewiets	3

Audit committee responsibility

The audit committee reports that it has adopted appropriate formal terms of reference as its audit committee charter,and will regulated its affairs in compliance with this charter.

The effectiveness of internal control

In line with the PFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.However, as the internal audit division was not functional during the year under review, and no reports were submitted to the Audit Committee. Accordingly, we cannot report on the system of internal control over financial reporting for the period under review.

The quality of in year management and monthly/quarterly reports submitted in terms of the PFMA and the Division of Revenue Act.

The audit committee did not have access to the monthly and quarterly reports prepared and issued by the Accounting Officer of the municipality during the year under review, and can therefor not express any opinion of the control and quality thereof.

Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices (delete if not applicable);
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Chairperson of the Audit Committee

Date: _____

Accounting Officer's Report

The accounting officer submits her report for the year ended 30 June 2012.Introduction.

The 2011/2012 financial year was another challenging year for !Kheis Municipality. Not withstanding the obvious challenges that faced the municipality in respect of service delivery, the staff also had to deal with the ever increasing reporting requirements and regularity laws as adopted and implemented by National Treasury.

Background

!Kheis is a rural municipality consisting of seven formal and one informal settlements with vast distances between them. These communities are severely culture deprived with a high rate of unemployment, with the majority of employers being farmers. Our IDP clearly indicates the backlogs in basic service delivery, of which housing is the biggest.

Reporting Standards & Legal Requirements

Except for initial 3 years grace period to comply with certain GRAP standards the reporting and legal requirements are exactly the same for !Kheis Municipality as for Metros. Due to budget constraints (and here we are referring to our small tax base) appointing sufficient and suitably qualified staff can be a challenge. With our limited staff !Kheis Municipality still has to comply with the following, to name but a few:

1. Ever changing international accounting standards and reporting requirements.
2. National and Provincial reporting requirements
3. Implementation of -
   - Budget & Treasury office
   - Internal audit unit
   - Asset management unit
   - Supply chain management unit
4. Compliance with laws and regulations as applicable to local governments

Conclusion

During this year !Kheis Municipality strives to comply with all the above mentioned requirements within an environment where supplies of goods and services are almost always limited to one or two suppliers. I am, however, of the opinion that government will be more successful in their quest for everyone to receive clean audits by 2014 if certain exceptions or alternative arrangements are made for smaller municipalities like !Kheis. Therefore it is unacceptable to balance the costs in respect of compliance to the above mentioned, and subsequently the audit of these requirements, with the communities basic service delivery needs, that still need to be addressed.

Municipal Manager
H.T. Scheepers

Statement of Financial Position

Figures in Rand	Note(s)	2012	2011
Assets			
Current Assets			
Investments		672 953	669 123
Inventories	3	38 493	9 947
Other receivables from non-exchange transactions	4	1 558 298	850 801
VAT receivable	5	1 994 171	1 458 884
Trade and other receivables from exchange transactions	6	3 299 761	131 198
Cash and cash equivalents	7	1 199 725	1 417 630
		8 763 401	**4 537 583**
Non-Current Assets			
Property, Plant and Equipment	2	136 727 016	58 767 930
Non-Current Assets		136 727 016	58 767 930
Current Assets		8 763 401	4 537 583
Non-current assets held for sale (and) (assets of disposal groups)		-	-
Total Assets		**145 490 417**	**63 305 513**
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	6 366 529	3 537 359
Consumer deposits	13	59 358	53 170
Unspent conditional grants and receipts	10	1 078 621	1 719 933
Current accruals	11	877 664	780 237
Current portion of borrowings		314 809	314 809
		8 696 981	**6 405 508**
Non-Current Liabilities			
Borrowings	8	1 725 701	2 184 397
Finance lease obligation	9	1 971 832	2 384 508
		3 697 533	**4 568 905**
Non-Current Liabilities		3 697 533	4 568 905
Current Liabilities		8 696 981	6 405 508
Liabilities of disposal groups		-	-
Total Liabilities		**12 394 514**	**10 974 413**
Assets		145 490 417	63 305 513
Liabilities		(12 394 514)	(10 974 413)
Net Assets		**133 095 903**	**52 331 100**
Net Assets			
Accumulated surplus		133 095 909	52 331 099

Statement of Financial Performance

Figures in Rand	Note(s)	2012	2011
Revenue			
Exchange Transactions		-	-
Sale of land		114 292	-
Service charges	16	6 751 588	5 987 655
Rental of facilities and equipment		188 420	496 050
Other Income		-	-
Sundry income	19	116 275	14 877
Interest received - Receivables	24	1 683 601	775 360
Interest received - investment	24	304 756	161 093
Non Exchange Transactions		-	-
Property rates and taxes	15	1 128 868	595 065
Licences and permits		209 649	(320 926)
Government grants & subsidies	17	29 493 274	21 862 443
Water Income DWA		59 377	528 378
Government Grants		-	(63 040)
Public contributions and donations		-	55 425
Total Revenue		**40 050 100**	**30 092 380**
Expenditure			
Personnel	21	(8 880 220)	(6 741 972)
Remuneration of councillors	22	(1 489 956)	(1 745 778)
Free basic services		(1 582 338)	(2 016 825)
Depreciation and amortisation	25	(9 650 174)	(1 163 958)
Finance costs	26	(219 963)	(153 420)
Debt impairment	23	(2 155 014)	(14 924 676)
Repairs and maintenance		(718 039)	(711 069)
Bulk purchases	28	(732 277)	(569 968)
General Expenses	20	(6 438 306)	(5 008 403)
Total Expenditure		**(31 866 287)**	**(33 036 069)**
Revenue		40 050 100	30 092 380
Expenditure		(31 866 287)	(33 036 069)
Other		-	-
Surplus (deficit) for the year		**8 183 813**	**(2 943 689)**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2010	**55 274 788**	**55 274 788**
Changes in net assets		
Surplus for the year	(2 943 689)	(2 943 689)
Total changes	(2 943 689)	(2 943 689)
Balance at 01 July 2011	**124 912 096**	**124 912 096**
Changes in net assets		
Surplus for the year	8 183 813	8 183 813
Total changes	8 183 813	8 183 813
Balance at 30 June 2012	**133 095 909**	**133 095 909**

Note(s)

Cash Flow Statement

Figures in Rand	Note(s)	2012	2011
Cash flows from operating activities			
Receipts			
Taxation		594 392	(1 017 173)
Sale of goods and services		4 678 532	5 654 029
Grants		27 745 090	23 582 376
Interest income from investing activities		303 757	161 093
Interest received from trading activities		1 603 477	-
		34 925 248	28 380 325
Payments			
Employee costs		(10 272 749)	(8 501 104)
Suppliers		(8 698 875)	(6 533 916)
Finance costs		(219 963)	(153 420)
Other payments		(1 470 736)	(2 016 825)
		(20 662 323)	(17 205 265)
Total receipts		34 925 248	28 380 325
Total payments		(20 662 323)	(17 205 265)
Net cash flows from operating activities	29	**14 262 925**	**11 175 060**
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(13 678 687)	(9 553 539)
Proceeds from sale of property, plant and equipment	2	69 230	141 097
Proceeds from sale of financial assets		-	(4 467)
Proceeds from loans receivables		-	(180 392)
Net cash flows from investing activities		**(13 609 457)**	**(9 597 301)**
Cash flows from financing activities			
Repayment of long term loans		(458 696)	(527 748)
Finance lease payments		(412 676)	(167 173)
Net cash flows from financing activities		**(871 372)**	**(694 921)**
Net increase/(decrease) in cash and cash equivalents		**(217 904)**	**882 838**
Cash and cash equivalents at the beginning of the year		1 417 630	534 790
Cash and cash equivalents at the end of the year	7	**1 199 726**	**1 417 628**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

Accounting Policies

These accounting policies are consistent with the previous period, except for the changes set out in note Changes in accounting policy

.
These accounting policies are consistent with the previous period.

These annual financial statements have been prepared in accordance with Directive 5 “Determining the GRAP Reporting Framework”, issued by the Accounting Standards Board.

The standards are summarised as follows:

"**Effective and adopted**"

IGRAP 1	Changes in Existing Decommissioning, Restoration and similar Liabilities
IGRAP 2	Changes in Existing Decommissioning, Restoration and similar Liabilities
IGRAP 3	Changes Whether an Arrangement Contains a Lease
IGRAP 4	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IGRAP 5	Applying the Restatement Approach under the Standard of GRAP on financial Reporting in Hyperinflationary Economies
IGRAP 6	Loyalty Programmes
IGRAP 7	Changes in Existing Decommissioning, Restoration and similar Liabilities
IGRAP 8	Agreements for the Construction of Assets from Exchange Transactions
IGRAP 9	Distributions of non-cash Assets to Owners
IGRAP 10	Assets Received from Customers
IGRAP 11	Changes in Existing Decommissioning, Restoration and similar Liabilities
IGRAP 12	Changes in Existing Decommissioning, Restoration and similar Liabilities
IGRAP 13	Operating Leases - Incentives
IGRAP 14	Evaluating the Substance of Transactions Involving the legal Form of Lease
IGRAP 15	Revenue - Barter Transactions Involving Advertising Services
GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associate
GRAP 8	Interests in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economics
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the reporting date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment (PPE)
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-Current Assets Held for Sale and Discontinued Operations
GRAP 101	Agricultural
GRAP 102	Intangible assets
Directive 1	Repeal of existing Transitional Provision in, and Consequential Amendments to, Standards of GRAP
Directive 2	Transitional Provision for Public Entities, Municipal Entities, Entities and Constitutional Institutions
Directive 5	Determining the GRAP Reporting framework
Directive 6	Transitional Provisions for revenue collected by SARS
Directive 7	The Application of deemed costs on the Adoption of Standards of GRAP
IPSAS 20	Related Party Disclosure
IFRS 3 (AC140)	Business Combinations
IFRS 4 (AC141)	Insurance Contracts
IFRS 6 (AC143)	Exploration for and Evaluation of Mineral Resources
IFRS 7 (AC144)	Financial Instruments: Disclosure
IAS 12 (AC102)	Income Taxes
IAS 19 (AC116)	Employee Benefits
IAS 32 (AC125)	Financial Instruments: Presentation

IAS 39 (AC133)	Recognition and Measurement
SIC – 21 (AC421)	Income Taxes – Recovery of Revaluated Non-Depreciable Assets
SIC – 25 (AC425)	Income Taxes – Changes in the Tax Status on an Entity or its Shareholders
SIC – 29 (AC429)	Service Concessions Arrangements – Disclosures
IFRIC 2 (AC435)	Members' Shares in Co-operative Entities and Similar Instruments
IFRIC 4 (AC437)	Determining whether an Arrangement contains a Lease
IFRIC 9 (AC442)	Reassessment of Embedded Derivatives
IFRIC 12 (AC445)	Service Concession Arrangements
IFRIC 13 (AC446)	Customer Loyalty Programmes
IFRIC 14 (AC447)	IAS19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC 15 (AC448)	Agreements for the Construction of Real Estate
IFRIC 16 (AC449)	Hedges in a Net Investment in a Foreign Operation

"Standrads and Interpretations early adopted"

GRAP 104	Financial Instruments

"Standards and Interpretations issued, but not yet adopted"

GRAP 18	Segment Reporting
GRAP 20	Related Party disclosures
GRAP 25	Employee benefits
GRAP 105	Transfers of Functions between entities under common controls
GRAP 106	Transfers of functions between entities not under common controls
GRAP 107	Mergers

Standards and Interpretations Effective but not adopted

GRAP 21	Impairment of non cash-generating assets
GRAP 23	Revenue from non-exchange transaction (taxes and transfers)
GRAP 24	presentation of budget information in financial statements
GRAP 26	Impairment of cash -generating assets
GRAP 103	Heritage Assets

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Provisions and contingent liabilities

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note - Provisions.

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of property, plant and equipment and intangible assets

The municipality's management determines the estimated useful lives and related depreciation / amortisation charges for property, plant and equipment and intangible assets. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.2 Property, Plant and Equipment

Property, Plant and Equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, Plant and Equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Accounting Policies

1.2 Property, Plant and Equipment (continued)

Subsequent to initial measurement property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life (Years)
Leasehold property	
Office equipment	10-30
Infrastructure	
Roads and paving	10-30
Pedestrian Malls	30
Water Network	
Sewerage Network	
Electricity	20-30
Community	
Buildings	10-30
Heritage assets	
Buildings	10-30
Other	
Buildings	30
Other vehicles	5-7
Office equipment	3-7
Furniture and fittings	7-10
Bins and containers	5
Other item of plant and equipment	2-5
Landfill sites	15
Emergency equipment	5-15
Computer equipment	5

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.3 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Accounting Policies

1.3 Financial instruments (continued)

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade and other receivables from exchange transactions	Financial asset measured at amortised cost
Other receivables from non-exchange transactions	Financial asset measured at amortised cost
Investments	Financial asset measured at amortised cost
Cash and Cash Equivalents	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Long term loans	Financial liability measured at amortised cost
Consumer Deposits	Financial liability measured at amortised cost
Finance Lease Obligations	Financial liability measured at amortised cost
Unspent Conditional Grants	Financial liability measured at amortised cost
Current Portion Employee Benefits	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability, other than those subsequently measured at fair value, initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures all other financial assets and financial liabilities initially at its fair value.

Accounting Policies

1.3 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility in the case of a financial asset.

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Accounting Policies

1.3 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

the contractual rights to the cash flows from the financial asset expire, are settled or waived;
the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:

- derecognise the asset; and
- recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the municipality does not offset the transferred asset and the associated liability.

1.4 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Accounting Policies

1.4 Leases (continued)

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. The difference between the amounts recognised as revenue and the contractual receipts are recognised as an operating lease asset or liability.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Any contingent rents are recognised separately as revenue in the period in which they are received.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

1.5 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
distribution at no charge or for a nominal charge; or
consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

Accounting Policies

1.5 Inventories (continued)

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.6 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.6 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

its recoverable amount (if determinable); and
the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.7 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Accounting Policies

1.7 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

Accounting Policies

1.8 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

wages, salaries and social security contributions;
short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
as an expense, unless another Standard of GRAP requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative, but to make the payments.

Long Service Awards

The municipality has an obligation to provide long-service allowance benefits to all of its employees. According to the rules of the long-service allowance scheme, which the municipality instituted and operates, an employee (who is on the current conditions of service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service.

Accounting Policies

1.8 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

estimated future salary increases;
the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
those changes were enacted before the reporting date; or
past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.9 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
the amount of revenue can be measured reliably;
it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Accounting Policies

1.9 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

the amount of revenue can be measured reliably;
it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
the stage of completion of the transaction at the reporting date can be measured reliably; and
the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.10 Revenue from non-exchange transactions

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

Accounting Policies

1.10 Revenue from non-exchange transactions (continued)

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind are not recognised.

1.11 Investment income

Investment income is recognised on a time proportion basis using the effective interest method.

Accounting Policies

1.12 Comparative figures

Budget information in accordance with GRAP 1, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy In the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly..

1.13 Unauthorised expenditure

Unauthorised expenditure means:

overspending of a vote or a main division within a vote; and
expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.14 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.15 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.16 Budget information

The annual financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the annual financial statements. Refer to note .

1.17 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

Accounting Policies

1.18 Capital commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:
- approved and contracted commitments;
- where the expenditure has been approved and the contract has been awarded at the reporting date; and
- where disclosure is required by a specific standard of GRAP.

1.19 Going concern

These annual financial statements have been prepared on a going concern basis

Figures in Rand	2012	2011

2. Property, Plant and Equipment

	2012			2011		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	48 158 411	(15 462 049)	32 696 362	32 862 006	(845 027)	32 016 979
Infrastructure	102 852 366	(4 042 060)	98 810 306	26 076 149	(3 197 033)	22 879 116
Other property, plant and equipment	6 556 365	(3 190 933)	3 365 432	4 897 167	(2 726 652)	2 170 515
Other equipment	-	-	-	98 744	-	98 744
Lease hold assets	2 201 523	(346 607)	1 854 916	1 712 652	(110 076)	1 602 576
Total	**159 768 665**	**(23 041 649)**	**136 727 016**	**65 646 718**	**(6 878 788)**	**58 767 930**

Reconciliation of property, plant and equipment - 2012

	Opening balance	Difference	Additions	Disposals	Transfers	Depreciation	Total
Buildings	32 016 979	**(4 165 804)**	3 780 981	-	4 214 760	(3 150 554)	32 696 36
Infrastructure	22 879 116	-	8 169 243	-	72 725 505	(4 963 558)	98 810 30
Other property, plant and equipment	2 170 515	-	1 728 463	(69 230)	-	(464 316)	3 365 43
Other equipment	98 744	-	-	-	-	(98 744)	
Other leased Assets	1 602 576	-	-	-	488 871	(236 531)	1 854 91
	58 767 930	**(4 165 804)**	**13 678 687**	**(69 230)**	**77 429 136**	**(8 913 703)**	**136 727 01**

Reconciliation of property, plant and equipment - 2011

	Opening balance	Depreciation	Total
Buildings	32 862 006	(845 027)	32 016 979
Infrastructure	22 879 116	-	22 879 116
Other property, plant and equipment	2 170 515	-	2 170 515
Other equipment	98 744	-	98 744
Other leased Assets	1 602 576	-	1 602 576
	59 612 957	**(845 027)**	**58 767 930**

Pledged as security

None of the assets have been pledged as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Deemed cost

Deemed cost was determined using depreciated replacement cost.

3. Inventories

Consumables	38 493	9 947

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

4. Other receivables from non-exchange transactions

Rates and other taxes	954 195	612 515
Thumelo Youth Farm	438 947	73 130
Various controls	25 349	25 349
Sundry Debtors	139 807	139 807
	1 558 298	**850 801**

None of the consumer receivables were pledge as security.

None of the financial assets that are fully performing have been renegotiated in the last year.

Reconciliation of provision for impairment of other receivables from exchange transactions

Opening balance	19 318 009	4 393 333
Provision for impairment	2 155 014	14 924 676
	21 473 023	**19 318 009**

5. VAT receivable

VAT receivable	1 994 171	1 458 884

VAT is payable on receipts basis. VAT is paid over to the South African Revenue Services (SARS) only once payment is received from receivables.

6. Consumer debtors

Gross balances		
Water	9 472 935	5 787 491
Sewerage	4 060 572	3 075 600
Refuse	5 707 640	4 335 525
Old debt, Admin Charges	5 366 209	4 919 133
	24 607 356	**18 117 749**
Less: Provision for debt impairment		
Water	(7 858 615)	(5 749 634)
Sewerage	(3 402 366)	(3 077 596)
Refuse	(4 739 282)	(4 282 615)
Old Debt, Admin Charges	(5 307 332)	(4 876 706)
	(21 307 595)	**(17 986 551)**
Net balance		
Water	1 614 320	37 857
Sewerage	658 206	(1 996)
Refuse	968 358	52 910
Old debt, Admin Charges	58 877	42 427
	3 299 761	**131 198**
Water		
Current (0 -30 days)	1 614 320	37 857
Sewerage		
Current (0 -30 days)	658 206	(1 996)

Figures in Rand	2012	2011

6. Consumer debtors (continued)

Refuse		
Current (0 -30 days)	968 358	52 910
Housing rental		
Current (0 -30 days)	58 877	42 427
Reconciliation of debt impairment provision		
Balance at beginning of the year	(19 318 006)	(4 393 333)
Contributions to provision	(1 989 589)	(13 593 218)
	(21 307 595)	**(17 986 551)**

Consumer debtors pledged as security

None of the consumer receivables were pledge as security.

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1 666	1 666
Bank balances	1 198 059	101 138
Short-term deposits	-	1 314 826
	1 199 725	**1 417 630**

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
		30 June 2011	30 June 2012		30 June 2011	30 June 2012
First National Bank Branch: Groblershoop Account number 62026193441	-	113 773	500 077	-	101 138	500 078
First National Bank Branch: Groblershoop Account number: 62150559486	-	10 123	13 979	-	10 123	10 957
First National Bank Branch: Groblershoop Account number: 62304431828	-	10 640	10 006	-	10 640	10 006
First National Bank Branch: Groblershoop Account number: 62304432123	-	38 044	369 049	-	38 044	369 049
First National Bank Branch: Groblershoop Account number: 62102417567	-	1 256 020	304 945	-	1 074 241	1 256 020
First National Bank	-	-	72 953	-	-	-
First National Bank	-	600 000	600 000	-	600 000	600 000
Total	**-**	**2 028 600**	**1 871 009**	**-**	**1 834 186**	**2 746 110**

Figures in Rand	2012	2011

8. Borrowings

Held at amortised cost		
DBSA loan	1 725 701	2 160 226
Terms and conditions		
This loan bears interest at 5% per annum and are payable at quarterly instalments of R 163 551.66		
Wesbank Finance	-	24 171
Terms and conditions		
	1 725 701	**2 184 397**
	-	-
	1 725 701	2 184 397
Non-current liabilities		
At amortised cost	1 725 701	2 184 397
	1 725 701	2 184 397
	-	-

9. Finance lease obligation

Minimum lease payments due		
- within one year	553 900	563 339
- in second to fifth year inclusive	1 327 268	1 739 944
	1 881 168	2 303 283
less: future finance charges	(141 224)	(175 323)
Present value of minimum lease payments	**1 739 944**	**2 127 960**
Present value of minimum lease payments due		
- within one year	412 676	388 016
- in second to fifth year inclusive	1 327 268	1 739 944
	1 739 944	**2 127 960**

It is municipality policy to lease certain equipment under finance leases.

The average lease term was 5 years and the average effective borrowing rate was 9% (2011: 9%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 14.

10. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
MIG Grants	682 312	1 346 526
Behuising (Topline)	3 163	7 692
DWA Funds	27 431	-
Opgradering Boegoeberg Sportgronde	365 715	365 715
	1 078 621	**1 719 933**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefit

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

Figures in Rand	2012	2011

10. Unspent conditional grants and receipts (continued)

See note 15 for reconciliation of grants from National/Provincial Government.

11. Current accruals

Reconciliation of current accruals - 2012

	Opening Balance	Additions	Total
Bonus and leave accruals	780 237	97 427	877 664

Reconciliation of current accruals - 2011

	Opening Balance	Additions	Total
Bonus and leave accruals	647 868	132 369	780 237

12. Payables from exchange transactions

Trade payables	5 869 880	3 163 550
Unallocated (Ongeallokeerd)	496 649	373 809
	6 366 529	**3 537 359**

13. Consumer deposits

Water	59 358	53 170

14. Revenue

Sale of land	114 292	-
Property rates and taxes	1 128 868	595 065
Service charges	6 751 588	5 987 655
Rental of facilities & equipment	188 420	496 050
Interest received - receivables	1 683 601	775 360
Income received - investments	304 756	161 093
Licences and permits	209 649	(320 926)
Government grants & subsidies	29 493 274	21 862 443
Water Income - DWA	59 377	528 378
Government Grants	-	(63 040)
Public contributions	-	55 425
	39 933 825	**30 077 503**

Figures in Rand	2012	2011

14. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:		
Sale of land	114 292	-
Service charges	6 751 588	5 987 655
Rental of facilities & equipment	188 420	496 050
	7 263 949	**6 218 204**
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	1 128 868	595 065
Licences and permits	209 649	(320 926)
Public contributions and donations	-	55 425
Transfer revenue		
Grants received	29 493 274	21 862 443
Water Income - DWA	59 377	528 378
Government Grants	-	(63 040)
	30 891 168	**22 657 345**

15. Property rates

Rates received

Residential	318 475	595 065
Commercial	616 343	-
State	36 395	-
Business	157 653	-
	1 128 866	**595 065**

16. Service charges

Sale of water	3 513 682	3 008 938
Sewerage and sanitation charges	1 389 371	1 267 116
Refuse removal	1 848 535	1 711 601
	6 751 588	**5 987 655**

17. Government grants and subsidies

Equitable share	13 707 000	11 787 449
Library Grant	323 000	220 000
MIG Grant	12 098 214	7 345 911
FMG & MSIG	2 240 000	2 080 072
Provincial Government - Coghsta	325 000	375 000
EPWP - Labour Based Construction Programme	800 060	54 011
	29 493 274	**21 862 443**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of R 217-11, which is funded from the grant.

Figures in Rand	2012	2011

17. Government grants and subsidies (continued)

MIG Grant

Balance unspent at beginning of year	1 346 526	568 437
Current-year receipts	11 434 000	8 124 000
Conditions met - transferred to revenue	(12 098 214)	(7 345 911)
	682 312	**1 346 526**

This is a conditional grant for infrastructure programmes. Conditions still to be met - remain liabilities (see note 10).

Opgradering Boegoeberg Sportgronde

Balance unspent at beginning of year	365 715	365 715

This is a conditional grant funded by National Lottery, to develop the Boegoeberg Sportgronde. Conditions still to be met - remain liabilities (see note 10).

MSIG & FMG

Balance unspent at beginning of year	-	130 072
Current-year receipts	2 240 000	1 950 000
Conditions met - transferred to revenue	(2 240 000)	(2 080 072)
	-	**-**

This is conditional grants which are being used for Municipal systems and financial management. Conditions still to be met - remain liabilities (see note 10).

Provide explanations of conditions still to be met and other relevant information.

18. Other revenue

Interest received - Receivables	1 683 601	775 360
Other income	116 275	14 877
	1 799 876	**790 237**

19. Sundry income

Library fines	750	330
Building Plan fees	9 974	4 868
Faxes	34	8
Graves sold	1 328	1 229
Commission received	4 663	251
Sale of soil	161	456
Hawkers Licenses	2 897	2 106
Tender documents	5 238	1 410
Clearing Certificates	3 646	3 101
Photocopies	234	478
Transport	5 208	640
Other income	82 141	-
	116 274	**14 877**

Figures in Rand	2012	2011

20. General expenses

Advertising	66 630	33 762
Auditors remuneration	667 680	802 239
Bank charges	37 124	25 332
Cleaning	94 519	67 247
Computer expenses	158 806	211 823
Consulting and professional fees	2 480	5 874
Entertainment	43 838	30 121
Fines and penalties	2 300	-
Insurance	183 745	182 620
Lease rentals on operating lease	-	54 813
Levies	82 190	215 167
Fuel and oil	433 546	401 577
Postage and courier	60 437	47 617
Printing and stationery	74 515	78 558
Protective clothing	37 467	17 231
Royalties and license fees	27 532	(330 037)
Security (Guarding of municipal property)	20 518	2 710
Subscriptions and membership fees	205 000	105 685
Telephone and fax	148 554	173 284
Training	84 599	-
Travel - local	358 748	102 431
Electricity	1 052 243	984 020
Subsidy - Equitable Share	1 582 338	2 016 825
Opleidingsheffings (Nywerh)	2 032	1 516
License fees - Computers	-	774 330
Administrative Costs	2 285 156	705 896
Chemicals	262 773	255 996
Other expenses	45 874	58 591
	8 020 644	**7 025 228**

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
21. Employee related costs		
Basic	6 203 295	4 763 123
Bonus	416 740	371 666
Medical aid - company contributions	133 650	114 872
UIF	55 953	43 641
Leave pay provision charge	84 073	-
Short term benefit	195 205	36 426
Travel, motor car, accommodation, subsistence and other allowances	519 666	481 285
Overtime payments	27 328	20 927
Housing benefits and allowances	403 767	141 715
Pensioenfondsbydraes	781 901	612 226
Waterontleding	48 106	53 200
Leave payouts	10 536	102 891
	8 880 220	**6 741 972**
Remuneration of municipal manager		
Annual Remuneration	323 696	301 113
Travel, motor car, accomodation, subsistence and other allowances	103 596	103 596
Contributions to UIF, Medical and Pension Funds	27 287	49 300
	454 579	**454 009**
Remuneration of chief finance officer		
Annual Remuneration	291 263	270 942
Travel, motor car, accomodation, subsistence and other allowances	102 300	102 300
Contributions to UIF, Medical and Pension Funds	-	1 296
	393 563	**374 538**
Corporate and human resources (corporate services)		
Annual Remuneration	215 000	200 000
Travel, motor car, accomodation, subsistence and other allowances	76 000	76 000
Contributions to UIF, Medical and Pension Funds	19 350	37 296
	310 350	**313 296**
22. Remuneration of councillors		
Mayor	559 123	573 543
Councillors	1 042 009	1 172 235
	1 601 132	**1 745 778**
23. Debt impairment		
Debt impairment	2 155 014	14 924 676
24. Interest earned - External investments		
Interest revenue		
Bank	304 756	161 093
	-	-
	304 756	161 093

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
25. Depreciation and amortisation		
Property, Plant and Equipment	9 650 174	1 163 958
26. Finance costs		
Non-current borrowings	219 963	153 420
27. Auditors' remuneration		
Fees	667 680	802 239
28. Bulk purchases		
Water	732 277	569 968
29. Cash generated from operations		
Surplus (deficit)	8 155 561	(2 943 689)
Adjustments for:		
Depreciation and amortisation	9 650 174	1 163 958
Gain on sale of assets and liabilities	7	-
Finance costs - Finance leases	219 963	153 420
Interest income	(1 334 025)	(775 360)
Interest earned - Investment	(304 756)	(161 093)
Debt impairment	2 155 014	14 924 676
Movements in provisions	97 427	132 369
Other non-cash items	-	(1 321 083)
Changes in working capital:		
Inventories	(28 546)	(9 947)
Receivables from exchange transactions	(6 489 903)	(928 691)
Other receivables from non-exchange transactions	487 080	825 043
Investments	(3 830)	(4 467)
Payables from exchange transactions	2 829 170	2 259 884
VAT	(535 287)	(2 799 431)
Unspent conditional grants and receipts	(641 312)	655 709
Current accruals	6 188	3 762
	14 262 925	**11 175 060**
30. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
Property, plant and equipment	5 512 504	-

This committed expenditure relates to plant and equipment and will be financed by MIG Fund, MSIG, FMG, COGHSTA and DWA.

Figures in Rand	2012	2011

31. Related parties

Relationships	
Accounting Officer	None
Controlled entities	None
Joint ventures	None
Associates	None
Shareholder with significant influence	None
Shareholder with joint control	None
Close family member of key management	None
Joint venture of key management	None
Associate of close family member of key management	None
Post employment benefit plan for employees of entity and/or other related parties	None
Post employment benefit plan for employees of a related party of a close family member of key management	None
Members of key management	None

Related party transactions are limited to salaries and allowances as per note 22 of the financial statements and service charges as set out below.

Related party transactions

Councillors		
Rates and Services	22 814	-
Senior Management		
Rates and services	25 743	-

The rates and service charges are in accordance with approved tariffs that were duely advertised and adopted by a Council through the budget process.
No bad debt expenses has been recognised in respects of amounts owing by related parties.

32. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality

33. Events after the reporting date

No events after the reporting date exists.

34. Unauthorised expenditure

Unauthorised expenditure	965 736	965 736
Condoned	(965 736)	-
	-	**965 736**

35. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure - 2010/2011	172 528	172 528
Fruitless and wastefull expenditure - 2011/2012	1 856	-
Condoned - Resolution nr. 13.1.2.6	(174 384)	-
	-	**172 528**

Figures in Rand	2012	2011

36. Irregular expenditure

Add: Irregular Expenditure - current year	9 850 795	-
Less: Amounts condoned	(9 850 795)	-
	-	**-**

Details of irregular expenditure condoned

	Condoned by (condoning authority)	
Previous year irregular expenditure	Council	5 863 953
Current year irregular expenditure	Council	3 986 842
		9 850 795

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

37. Additional disclosure in terms of Municipal Finance Management Act

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2012:

30 June 2012	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor JPI Joseph	3 286	5 818	9 104
Councillor E Cloete	906	2 018	2 924
Councillor P Vries	1 898	15 864	17 762
Councillor S Esau	600	5 237	5 837
Councillor AL Diergaardt	921	2 407	3 328
	7 611	**31 344**	**38 955**

30 June 2011	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor W Maritz	-	1 552	1 552
Councillor JPI Joseph	-	2 520	2 520
Councillor E Cloete	-	6 036	6 036
Councillor P Vries	-	16 124	16 124
Councillor AL Diergaardt	-	6 156	6 156
Councillor S Esau	-	(176)	(176)
	-	**32 212**	**32 212**

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2012	Highest outstanding amount	Aging (in days)
Councillor P Vries	17 762	90
Councillor JPI Joseph	9 104	90
Councillor S Esau	5 837	90
Councillor AL Diergaardt	3 328	90
Councillor E Cloete	2 924	90
	38 955	**450**

30 June 2011	Highest outstanding amount	Aging (in days)
Councillor P Vries	16 124	90
Councillor AL Diergaardt	6 156	90
Councillor E Cloete	6 036	90
Councillor JPI Joseph	2 520	90
Councillor W Maritz	1 552	90
Councillor S Esau	(176)	-
	32 212	**450**

Appendix A

Schedule of external loans as at 30 June 2010

Loan Number	Redeemable	Balance at 30 June 2011 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2012 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Loan Stock							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	**-**	**-**	**-**	**-**	**-**
Structured loans							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	**-**	**-**	**-**	**-**	**-**
Funding facility							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	**-**	**-**	**-**	**-**	**-**
Development Bank of South Africa							
		2 160 226	-	434 525	1 725 701	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-

Appendix A

Schedule of external loans as at 30 June 2010

Loan Number	Redeemable	Balance at 30 June 2011 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2012 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		-	-	-	-	-	-
		2 160 226	**-**	**434 525**	**1 725 701**	**-**	**-**
Bonds							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	**-**	**-**	**-**	**-**	**-**
Other loans							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	**-**	**-**	**-**	**-**	**-**
Lease liability							
Nissan Micra		4 998	-	4 998	-	-	-
Nissan Hardbody 2000		6 435	-	6 435	-	-	-
Nissan Hardbody 2400		6 289	-	6 289	-	-	-
Nissan Almera		6 449	-	6 449	-	-	-
		-	-	-	-	-	-
		24 171	**-**	**24 171**	**-**	**-**	**-**
Annuity loans							
		-	-	-	-	-	-
		-	-	-	-	-	-

Appendix A

Schedule of external loans as at 30 June 2010

	Loan Number	Redeemable	Balance at 30 June 2011	Received during the period	Redeemed written off during the period	Balance at 30 June 2012	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
			Rand	Rand	Rand	Rand	Rand	Rand
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	**-**	**-**	**-**	**-**	**-**
Government loans								
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	**-**	**-**	**-**	**-**	**-**
Total external loans								
Loan Stock			-	-	-	-	-	-
Structured loans			-	-	-	-	-	-
Funding facility			-	-	-	-	-	-
Development Bank of South Africa			2 160 226	-	434 525	1 725 701	-	-
Bonds			-	-	-	-	-	-
Other loans			-	-	-	-	-	-
Lease liability			24 171	-	24 171	-	-	-
Annuity loans			-	-	-	-	-	-
Government loans			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			2 184 397	**-**	**458 696**	**1 725 701**	**-**	**-**

Appendix B

Analysis of property, plant and equipment as at 30 June 2012

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	16 540 000	-	-	-	-	-	**16 540 000**	-	-	-	-	-	**-**	16 540 000
Landfill Sites (Separate for AFS pursoses)	817 283	-	-	-	-	-	**817 283**	(29 719)	-	-	(70 369)	-	**(100 088)**	717 195
Buildings (Separate for AFS purposes)	19 897 943	1 298 617	-	-	-	-	**21 196 560**	(2 285 443)	-	-	(3 080 185)	-	**(5 365 628)**	15 830 932
	37 255 226	**1 298 617**	**-**	**-**	**-**	**-**	**38 553 843**	**(2 315 162)**	**-**	**-**	**(3 150 554)**	**-**	**(5 465 716)**	**33 088 127**
Infrastructure														
Roads, Pavements & Bridges	36 678 927	-	-	-	-	-	**36 678 927**	(3 294 137)	-	-	(1 285 432)	-	**(4 579 569)**	32 099 358
Electricity Network	11 933 132	-	-	-	-	-	**11 933 132**	(748 198)	-	-	(467 780)	-	**(1 215 978)**	10 717 154
Water purification	27 079 070	-	-	-	-	-	**27 079 070**	(1 829 806)	-	-	(1 549 226)	-	**(3 379 032)**	23 700 038
Sewerage purification	18 922 771	8 169 243	-	-	-	-	**27 092 014**	(1 440 980)	(1 661 120)	-	-	-	**(3 102 100)**	23 989 914
	94 613 900	**8 169 243**	**-**	**-**	**-**	**-**	**102 783 143**	**(7 313 121)**	**(1 661 120)**	**-**	**(3 302 438)**	**-**	**(12 276 679)**	**90 506 464**
Community Assets														
Civic Buildings	732 515	-	-	-	-	-	**732 515**	(38 494)	-	-	(80 297)	-	**(118 791)**	613 724
Community halls	1 995 327	-	-	-	-	-	**1 995 327**	(287 369)	-	-	(250 489)	-	**(537 858)**	1 457 469
Libraries	43 000	-	-	-	-	-	**43 000**	(1 720)	-	-	(6 036)	-	**(7 756)**	35 244
Recreational facilities	4 093 274	2 482 364	-	-	-	-	**6 575 638**	(551 391)	-	-	(455 855)	-	**(1 007 246)**	5 568 392
Cemeteries	258 088	-	-	-	-	-	**258 088**	(47 490)	-	-	(42 573)	-	**(90 063)**	168 025
	7 122 204	**2 482 364**	**-**	**-**	**-**	**-**	**9 604 568**	**(926 464)**	**-**	**-**	**(835 250)**	**-**	**(1 761 714)**	**7 842 854**

Appendix B

Analysis of property, plant and equipment as at 30 June 2012

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Specialised vehicles														
Other assets														
Motor vehicles	2 674 230	1 553 240	-	-	-	**-**	**4 227 470**	(1 750 898)	-	-	(330 047)	-	**(2 080 945)**	2 146 525
Computer Equipment	221 487	56 605	(34 560)	-	-	**-**	**243 532**	(215 088)	34 554	-	(17 608)	-	**(198 142)**	45 390
Office Equipment	173 520	107 425	(34 670)	-	-	**-**	**246 275**	(159 884)	34 669	-	(25 450)	-	**(150 665)**	95 610
Office Equipment - Leased	2 201 523	-	-	-	-	**-**	**2 201 523**	(110 076)	-	-	(236 531)	-	**(346 607)**	1 854 916
Other	1 772 257	2 542	-	-	-	**-**	**1 774 799**	(545 111)	(89 974)	-	-	-	**(635 085)**	1 139 714
	7 043 017	**1 719 812**	**(69 230)**	**-**	**-**	**-**	**8 693 599**	**(2 781 057)**	**(20 751)**	**-**	**(609 636)**	**-**	**(3 411 444)**	**5 282 155**

Appendix B

Analysis of property, plant and equipment as at 30 June 2012

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	37 255 226	1 298 617	-	-	-	-	**38 553 843**	(2 315 162)	-	-	(3 150 554)	-	**(5 465 716)**	33 088 127
Infrastructure	94 613 900	8 169 243	-	-	-	-	**102 783 143**	(7 313 121)	(1 661 120)	-	(3 302 438)	-	**(12 276 679)**	90 506 464
Community Assets	7 122 204	2 482 364	-	-	-	-	**9 604 568**	(926 464)	-	-	(835 250)	-	**(1 761 714)**	7 842 854
Other assets	7 043 017	1 719 812	(69 230)	-	-	-	**8 693 599**	(2 781 057)	(20 751)	-	(609 636)	-	**(3 411 444)**	5 282 155
	146 034 347	**13 670 036**	**(69 230)**	**-**	**-**	**-**	**159 635 153**	**(13 335 804)**	**(1 681 871)**	**-**	**(7 897 878)**	**-**	**(22 915 553)**	**136 719 600**
Agricultural/Biological assets														
Intangible assets														
Computers - software & programming	55 674	8 651	-	-	-	-	**64 325**	(55 671)	(1 202)	-	-	-	**(56 873)**	7 452
	55 674	**8 651**	**-**	**-**	**-**	**-**	**64 325**	**(55 671)**	**(1 202)**	**-**	**-**	**-**	**(56 873)**	**7 452**
Investment properties														
Total														
Land and buildings	37 255 226	1 298 617	-	-	-	-	**38 553 843**	(2 315 162)	-	-	(3 150 554)	-	**(5 465 716)**	33 088 127
Infrastructure	94 613 900	8 169 243	-	-	-	-	**102 783 143**	(7 313 121)	(1 661 120)	-	(3 302 438)	-	**(12 276 679)**	90 506 464
Community Assets	7 122 204	2 482 364	-	-	-	-	**9 604 568**	(926 464)	-	-	(835 250)	-	**(1 761 714)**	7 842 854
Other assets	7 043 017	1 719 812	(69 230)	-	-	-	**8 693 599**	(2 781 057)	(20 751)	-	(609 636)	-	**(3 411 444)**	5 282 155
Intangible assets	55 674	8 651	-	-	-	-	**64 325**	(55 671)	(1 202)	-	-	-	**(56 873)**	7 452
	146 090 021	**13 678 687**	**(69 230)**	**-**	**-**	**-**	**159 699 478**	**(13 391 475)**	**(1 683 073)**	**-**	**(7 897 878)**	**-**	**(22 972 426)**	**136 727 052**

Appendix B

Analysis of property, plant and equipment as at 30 June 2011

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Infrastructure														
Community Assets														

Appendix B

Analysis of property, plant and equipment as at 30 June 2011

	Cost/Revaluation						Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Specialised vehicles														
Other assets														

Appendix B

Analysis of property, plant and equipment as at 30 June 2011

	Cost/Revaluation						Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Agricultural/Biological assets														
Intangible assets														
Investment properties														
Total														

Appendix C

Segmental analysis of property, plant and equipment as at 30 June 2012

	Cost/Revaluation							Accumulated Depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
Municipality														
Executive & Council/Mayor and Council	193 126	-	-	-	-	-	**193 126**	(186 365)	-	-	-	-	**(186 365)**	6 761
Finance & Admin/Finance	3 124 465	-	-	-	-	-	**3 124 465**	(573 267)	-	-	-	-	**(573 267)**	2 551 198
Public Works	1 945 689	-	-	-	-	-	**1 945 689**	(779 199)	-	-	-	-	**(779 199)**	1 166 490
Library	30 100	-	-	-	-	-	**30 100**	(30 090)	-	-	-	-	**(30 090)**	10
Waste Water Management/Sewerage	8 645 182	-	-	-	-	-	**8 645 182**	(3 073 861)	-	-	-	-	**(3 073 861)**	5 571 321
Water/Water Distribution	19 156 695	-	-	-	-	-	**19 156 695**	(2 512 537)	-	-	-	-	**(2 512 537)**	16 644 158
Other/Air Transport	16 650	-	-	-	-	-	**16 650**	(16 618)	-	-	-	-	**(16 618)**	32
	33 111 907	**-**	**-**	**-**	**-**	**-**	**33 111 907**	**(7 171 937)**	**-**	**-**	**-**	**-**	**(7 171 937)**	**25 939 970**
Municipal Owned Entities														
Total														
Municipality	33 111 907	-	-	-	-	-	**33 111 907**	(7 171 937)	-	-	-	-	**(7 171 937)**	25 939 970
	33 111 907	**-**	**-**	**-**	**-**	**-**	**33 111 907**	**(7 171 937)**	**-**	**-**	**-**	**-**	**(7 171 937)**	**25 939 970**

Appendix D

Segmental Statement of Financial Performance for the year ended

Prior Year				Current Year		
Actual Income Rand	**Actual Expenditure Rand**	**Surplus /(Deficit) Rand**		**Actual Income Rand**	**Actual Expenditure Rand**	**Surplus /(Deficit) Rand**
			Municipality			
-	2 337 094	(2 337 094)	Executive & Council/Mayor and Council	29 523 193	20 868 275	8 654 918
23 346 049	27 979 643	(4 633 594)	Finance & Admin/Finance	801 549	3 459 623	(2 658 074)
3 314 721	2 547 671	767 050	Waste Water Management/Sewerage	3 894 994	2 994 851	900 143
3 904 686	2 572 735	1 331 951	Water/Water Distribution	4 476 913	4 746 269	(269 356)
546 806	-	546 806	Other/Air Transport	209 649	-	209 649
31 112 262	**35 437 143**	**(4 324 881)**		**38 906 298**	**32 069 018**	**6 837 280**
			Municipal Owned Entities			
			Other charges			
31 112 262	35 437 143	(4 324 881)	Municipality	38 906 298	32 069 018	6 837 280
31 112 262	**35 437 143**	**(4 324 881)**	**Total**	**38 906 298**	**32 069 018**	**6 837 280**

Appendix E(1)

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2012

	Current year 2010 Act. Bal. Rand	Current year 2010 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Sale of goods	114 292	-	114 292	-	(Explanations to be recorded)
Property rates	1 128 868	641 188	487 680	76,1	
Service charges	6 751 588	6 320 225	431 363	6,8	
Rental of facilities and equipment	188 420	460 109	(271 689)	(59,0)	
Interest received (trading)	-	458 055	(458 055)	(100,0)	
Licences and permits	209 649	209 411	238	0,1	
Government grants & subsidies	29 493 274	27 952 000	1 541 274	5,5	
Revenue 1	59 377	-	59 377	-	
Revenue 2	-	-	-	-	
Miscellaneous other revenue	-	-	-	-	
Other income	116 275	13 369	102 906	769,7	
Interest received - investment	304 756	104 521	200 235	191,6	
Dividends received	1 683 601	-	1 683 601	-	
	40 050 100	36 158 878	3 891 222	10,8	
Expenses					
Personnel	(8 880 219)	(8 201 285)	(678 934)	8,3	
Remuneration of councillors	(1 489 956)	(1 678 289)	188 333	(11,2)	
Depreciation	(9 650 174)	(887 000)	(8 763 174)	988,0	
Finance costs	(219 963)	(172 783)	(47 180)	27,3	
Debt impairment	(2 155 014)	(2 659 167)	504 153	(19,0)	
Repairs and maintenance - Manufacturing expenses	(331 036)	(390 645)	59 609	(15,3)	
Repairs and maintenance - General	(387 003)	(605 893)	218 890	(36,1)	
Bulk purchases	(732 277)	(742 846)	10 569	(1,4)	
General Expenses	(8 020 644)	(9 472 807)	1 452 163	(15,3)	
	(31 866 286)	(24 810 715)	(7 055 571)	28,4	
Other revenue and costs					
Net surplus/ (deficit) for the year	8 183 814	11 348 163	(3 164 349)	(27,9)	

Appendix E(2)

Budget Analysis of Capital Expenditure as at 30 June 2010

	Additions	Revised Budget	Variance	Variance	Explanation of significant variances from budget
	Rand	Rand	Rand	%	
Municipality					
Executive & Council/Mayor and Council	1 298 617	800 000	(498 617)	**(62)**	
Sport and Recreation	2 482 364	5 500 000	3 017 636	**55**	
Waste Water Management/Sewerage	8 169 243	9 804 160	1 634 917	**17**	
Other Assets	1 728 463	-	(1 728 463)	**-**	
	13 678 687	**16 104 160**	**2 425 473**	**15**	
Municipal Owned Entities					
Other charges					

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Jul	Jun	Sep	Dec	Mar	Mar	Jun	Sep	Dec	Mar	Mar	Jun	Sep	Dec	Mar		Yes/ No	
FMG	Treasury	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Jul	Jun	Sep	Dec	Mar	Mar	Jun	Sep	Dec	Mar	Mar	Jun	Sep	Dec	Mar		Yes/ No	
FMG	Treasury	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Jul	Jun	Sep	Dec	Mar	Mar	Jun	Sep	Dec	Mar	Mar	Jun	Sep	Dec	Mar		Yes/ No	
FMG	Treasury	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.